PAHS FL $$$$$$



NAME PERIOD

OBJECTIVES

Learners will:

* compare the advantages and disadvantages of spending now and spending later
* develop improved spending techniques and practices
* determine if you should buy an item

# Teen Spending Soars

Teenagers earn, save, spend and borrow billions of dollars each year in the marketplace. They have more money to spend than previous generations and develop spending patterns at a younger age. Teens attitudes about money are most influenced by their parents, the media, their peers and their own successes and failures in spending money. The buying habits of teenagers are learning experiences.

Teenagers in the U.S. spendover $84 billion a year. The money, which averages to about $3,200 per teen comes primarily from parents and jobs; and covered spending on clothing, food, entertainment, personal-appearance products, recorded music, and transportation.

In 1953 teens spent $7 billion. Spending has climbed steadily since then. When adjusted for inflation, it peaked in 1969 at about $90 billion, as many of the original baby boomers entered their teens. Adjusted spending dropped in the 1970's, possibly because of recession; but now that the baby boomers' children are reaching their teen years, spending has started to climb again.

Are you a Good Spender?

Money management skills develop from the ideas, attitudes, and spending habits learned at home, school, and in the marketplace. Those who learn good money management skills are more likely to become adults who can make sound financial decisions, avoid excessive debt, and manage income and expenses to reach their financial goals.

Try This Young Spender's Profile

The following 19 statements pertain to spending techniques. There are five responses to select from which indicate the degree of your likeness to each statement. Just mark the number in the space provided. Should a statement not apply to your situation, skip it and adjust the scoring accordingly. The scoring section follows.

**Responses:**

|  |  |
| --- | --- |
| 1. Totally like me | 4. A little like me |
| 2. A lot like me | 5. Not like me at all |
| 3. Equally like and unlike me |  |

|  |  |
| --- | --- |
| **3** | 1. Each time I receive money, I usually put a small amount of cash aside as   savings. |
| **1** | 2. Each time I receive any money, I usually deposit it into a checking or   savings account. |
| **1** | 3. I keep track of the money I receive from all sources. |
| **4** | 4. I set aside a pre-determined portion of my money for regular weekly   expenses. |
| **3** | 5. I set aside ten percent of the money I receive for savings. |
| **2** | 6. My money is managed (both spending & savings) according to a written   spending plan or budget. |
| **4** | 7. My food and grocery spending is planned in advance and done with a list. |
| **2** | 8. I rarely make less than two trips a week to the grocery or convenience   store. |
| **4** | 9. Grocery and other coupons are utilized whenever possible. |
| **2** | 10. Comparison shopping for quality, value, price, etc. is something I do for   practically every purchase, large or small. |
| **1** | 12. I have comparison shopped for food and clothing in the last year. |
| **3** | 13. I don't eat out (breakfast, lunch or dinner) more than two times a week. |
| **4** | 14. I account for all my cash spending by collecting receipts. |
| **2** | 15. I am saving money towards my college education. |
| **3** | 16. I have given food/money to needy persons in the last two weeks. |
| **38** | TOTAL OF ALL RESPONSES |

**Scoring:**

After totaling all your responses, how did you do? Check your results with this scoring chart:

|  |  |
| --- | --- |
| 17-27 | **VERY PERCEPTIVE.** Time to teach others how to do it. |
| 28-42 | **PRETTY GOOD** Concentrate on improving a few weaker spots. |
| 43-58 | **AVERAGE** An hour-a-week on improving spending = $$avings. |
| 59-75 | **LOUSY** Immediate change required to avoid financial disaster. |
| 75+ | **IT STINKS!** You need to re-evaluate all your spending habits. |

## How to Develop Improved Spending Techniques and Practices

* Write down all of the poor spending practices that you need and want to change.
* Write down how you plan to bring about the changes in each area.
* Construct a cash-flow sheet showing income and outgo.
* Set up and implement a spending plan or budget.
* Begin collecting and making notes on your cash purchase receipts.
* Begin saving one dollar-a-day (dollars) or all pocket change, everyday.
* Look for alternative and substitutes to spending
* Start utilizing cents-off coupons and mail in for rebates.
* Wait for the sales. Comparison shopping can save more than 50 percent.
* Take advantage of factory seconds, rebuilt and used items where practical.
* start doing things for yourself that others were paid to do previously.
* separate shopping trips (when comparing prices, etc.) from spending trips when you actually are going to make purchases. Avoid carrying much cash,on the shopping trips.

Consider the following when making a purchase:

* Do I really need the item?
* Is the price reasonable to justify buying it?
* Is this the best time to buy the item?
* If this is a bargain, is it a current model?
* If "On Sale," is the price a true sale price?
* Can a less expensive item be substituted?
* Are you sure there are no major disadvantages?
* Will it truly satisfy an inner need?
* Have you checked and researched the item?
* Do you know the retailer's reputation?
* Does this retailer offer any special services with the item?

## That Sale Item May Not be a Bargain

Many people who are generally smart with their money buy items at sales because they think they will be saving lots of money.  But these people buy things not because they need them, but because they are a "bargain."  This isn't very smart.  Often these bargains are not as good as they seem.

Before you buy an item on sale, it is important to look at prices and carefully determine if it is a good deal or not.

## Bargain Quiz

Now put your knowledge to the test by determining if the following sale items are bargains:

1. A pair of sneakers regularly costs $69.99.  Would you rather have a 10% discount or $10 off the original Price.  \_\_\_\_\_\_\_\_\_\_\_\_\_
2. A TV's regular pair is $195.99.  If the sale gives you 20% off, how much does it cost now?  \_\_\_\_\_\_\_\_\_\_\_\_\_
3. An electronics store is offering a special sale on video games.  The "Turbo Kicker," which normally sells for $51.89 is 18% off.  How much money will that save you.  \_\_\_\_\_\_\_\_\_\_\_\_\_
4. Roller-skates are on sale for 25% off.  You like a pair that costs $29.98,  
        
   (a) How much money will you save in this sale? \_\_\_\_\_\_\_\_\_\_\_\_\_  
         
   (b)  What will the new price of the skate be? \_\_\_\_\_\_\_\_\_\_\_\_\_

## Spending Plan

A spending plan can encourage teens to be careful money managers. The following topics can be discussed with them:

identify income, including allowances and gifts

set goals based on needs and wants

determine expenses, both fixed and flexible

develop a spending plan – budget

* revise the spending plan as needed

Allowances

An allowance is an important tool for teaching money management skills. The purpose of an allowance is to teach teens how to manage their own money based on their needs, wants, and goals. The teen should have control over how the allowance is spent or saved. The parent can encourage them to make careful spending decisions and plan the use of their money. An allowance can help make them independent and give them confidence and self-discipline in handling money.

An allowance should be a specific amount of money, decided by both the child and parent and given at a specific time, such as weekly or monthly. As children get older they will probably have more money under their control and become more responsible for their personal spending. Also they tend to appreciate more the goods and services they buy with their own money, especially if they have saved for them over a period of time. An allowance can help eliminate the problem of parents having to say "no" when asked for money regularly.

People have differing views on allowances. Some parents feel that the allowance should be earned by doing household tasks. Others feel that as members of the family, teens are entitled to a share of the family income. An allowance can teach them the basics of money management and should not be used to punish them. The following allowance tips can help parents decide:

There should be regular family discussions of various financial issues, choices, and decisions.

How much should the allowance be and how often should the allowance be paid?

**By age 13,** an allowance should be enough to cover savings, fixed expenses, and spending money. In the teen years, ages 13 to 18, they need experience with managing larger sums of money and making decisions about how they spend and save money. Some parents suggest that by the time teens finish high school they should earn money to pay for all personal expenses such as clothing, entertainment, and snacks.

**Teens** who will go away to college may use a credit card and a checking account to pay college expenses. Credit is an important financial tool. They can learn how to handle credit responsibly if they are taught the advantages and disadvantages, the kinds and the costs of credit. Refer to the mini-lesson, Students and Credit Cards, which focuses on responsible credit card use.

When savings accounts reach about $500, young people can be encouraged to invest in certificates of deposit, stock, mutual funds, or U. S. Savings Bonds. Some companies offer junior shareholder programs or waive fees for small accounts.

Money Gifts

Children over the age of 12 should be allowed to decide how to spend small money gifts. For larger gifts, parents could help them consider investments for longer-term goals such as a college education. The child should make the decision as to how the gift money is used.

Parents can help children see how money helps them meet their needs, wants, and goals.

Some children decide to save part of the money and spend the rest on something special, such as clothing or sports equipment.

Promote Financial Success

Parents can promote financial success for teens in the following ways:

Do not make a practice of giving additional money when they overspend. They may learn through experience about the importance of setting limits on spending and making reasoned choices.

Consider loaning with interest charges, if they need an advance. The teen will learn that borrowing money is very expensive.

Help them establish attainable goals and develop a spending and saving plan to reach goals.

Do not give allowances as rewards or behavior incentives.

Set a regular time and date when the allowance will be paid. This is their "income" so it is not fair to make them wait.

Let them spend or save their allowances without restrictions, except for the agreed upon fixed expenses such as lunches or school supplies.

Discuss continuing the allowance when young people get a job. You can either continue to pay the fixed expenses and let them pay their social expenses or suggest that they deposit more of their allowance into their savings account for future use.

Discuss the amount to be saved from the allowance. Ten to twenty percent may be a reasonable amount.

Have young persons keep a journal of expenses if they continually run out of money.   
  
 Do not tie the allowance to basic chores you expect the them to do as a family member. Chores teach family responsibility.

Discuss pay for doing extra chores, such as cutting the lawn or washing windows, especially if the child is saving for a big item.

Establish rules for what to do about lost allowance money. Only money for necessities should be replaced.

Allow them to negotiate a raise in their allowance.

Money Management Skills

Parents and teachers can help develop positive attitudes about money. Young people can learn how to plan their spending to meet needs and financial goals. The first-hand experiences that they have in managing money provide valuable learning. When parents are too quick to bail them out of financial trouble, they do not learn the consequences of over spending. Young people who have money management skills are more likely to be able to handle adult financial decisions such as purchasing insurance, using credit wisely, paying taxes, investing, and saving. Parents and teachers who encourage good financial skills are helping young people avoid potential financial problems as adults.

**ALLOWANCE AND SPENDING PLAN QUIZ**

1.  Spending plans are decisions about how you spend your allowance.

True

False

2.  A written spending plan is the best way to manage an allowance.

True

False

3.  Spending plans should be discussed with parents.

True

False

4.  Everyone has the same spending plan.

True

False

5.  My spending plan must remain the same for an entire year.

True

False

6.  Giving to a church or charity can be part of my spending plan.

True

False

1. Changes can be made in my written spending plan:

Only once a week

Only once a month

Only every six months

As my need change

8. Savings provide money for:

Emergency expenses

Unplanned expenses next year

Expenses in five years

All of the above

9.  A spending plan can be made by:

Keeping a diary of expenses

Asking a friend to make it for you

Unplanned expenses next year

Checking how much money is in your pocket

10.  Which of the following is NOT a spending plan category

Transportation

Entertainment

Candy bars

Clothing

**BUDGETING QUIZ**

1. The budgeting process starts with monitoring current spending.

True False

2. Most short-term goals are based on activities over the next two or three years.

True False

3. A common long-term goal may involve saving for college for parents of a new-born child.

True False

4. Rent is considered a fixed expense.

True False

5. Flexible expenses stay about the same each month.

True False

6. The final phase of the budgeting process is to:

set personal and financial goals.

compare your budget to what you have actually spent.

review financial progress.

monitor current spending patterns.

7. An example of a long-term goal would be:

an annual vacation.

saving for retirement

buying a used car.

completing college within the next six months.

8. A clearly written financial goal would be:

To save money for college for the next five years

To invest in an international mutual fund for retirement

To establish an emergency fund of $4,000 in 18 months

To pay off credit card bills this year

9. An example of a fixed expense is:

clothing. an electric bill.

auto insurance. educational expenses.

10. What is commonly considered a flexible expense?

rent home insurance

a mortgage payment entertainment

**MONEY RESPONSIBILITY QUIZ**

1. If I overspend my allowance, I can expect my parents to give me more money  
.

True False

2. It is easier to return an item to the store if I have the sales receipt.

True False

3. Writing down my expenses helps me know my spending balance.

True False

4. It is OK to buy everything I want.

True False

5. I need to be sure my allowance money lasts for an entire week.

True False

6. Which of the following can be used to keep expense records organized:

Envelopes Shoe boxes

File Folders All of the above

7. I should keep sales receipts:

Until I leave the store   Until I enter it on my expense log

Until I get home   As long as I need proof of purchase

8. Which of the following is a responsible spending practice?

Spending more money than I have planned

Buying an item that looks good to me, even if I do not need it

Buying an item that is included in my spending plan

Always shopping at the most expensive stores

9. If you don’t get a receipt, you should:

write the amount down before you leave the store

wait until you get home to write the amount down

guess what you spent at the end of the week

ignore the cost of the item

10. Keeping records:

helps me know what I spend

helps me stay within my spending plan

makes me more responsible

All of the above

DISCUSSION QUESTIONS AND TOPICS

1. Why should teens learn money management skills?

1. How can parents help their teens develop money management skills?

1. What information should be discussed when creating a spending plan for teens?

4. Can an allowance teach teens to be effective and responsible consumers? Explain.

5. How can parents help their teens create an allowance that is realistic and fair?